

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	122,260	117,524	115,851	112,981	110,534	1,418,559
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business						
7. Total	122,260	117,524	115,851	112,981	110,534	1,418,559
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)						

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0499999 Premiums due and unpaid from Medicaid entities	1,156,198					
0599999 Accident and health premiums due and unpaid (Page 2, Line 3)	1,156,198					

EXHIBIT 3 - HEALTH CARE RECEIVABLES

[illegible]

NONE Exhibit 4 - Claims Unpaid (Reported and Unreported)

NONE Exhibit 5 - Amounts Due from Parent, Subsidiaries and Affiliates

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

[illegible]

NONE Exhibit 7 - Parts 1 and 2 Summary of Transactions

NONE Exhibit 8 - Furniture, Equipment, and Supplies Owned

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of UAHC Health Plan of Tennessee, Inc. ("UAHC-TN") are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance.

The Tennessee Department of Commerce and Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Tennessee.

There are no reconciling items between the Company's net income and capital and surplus between NAIC SAP practices prescribed and permitted by the state of Tennessee.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

TennCare capitation revenues are recognized as health insurance coverage is provided to enrollees. Fixed administrative revenues are recognized in the period the services are provided. TennCare capitation revenues and receivables that are probable and estimatable are recognized as health insurance coverage is provided to enrollees. Modified risk arrangement revenues are recognized in the period in which UAHC-TN is notified thereof by TennCare.

In addition, the company uses the following accounting policies:

- (1) Cash and cash equivalents include cash and all highly liquid investments with an original maturity of three months or less when purchased and are carried at cost, which approximates market value.
- (2) The carrying values of cash and cash equivalents, receivables, and fixed maturities approximate fair values of these instruments.
- (3) Comprehensive income is the total of net income and all other non-ownership

NOTES TO FINANCIAL STATEMENTS

changes in equity, as required by Financial Accounting Standard No. 130, Reporting Comprehensive Income.

- (4) The Company provides for medical claims incurred but not reported based primarily on past experience, together with current factors, using accepted actuarial methods. Estimates are adjusted as changes in these factors occur, and such adjustments are reported in the year of determination. Although considerable variability is inherent in such estimates, management believes that these reserves are adequate.
- (5) Fixed maturities are comprised of investments in certificates of deposit, federal agency debt securities, and U.S. Treasury notes carried at fair value, based upon published quotations of the underlying security, and six-month certificates of deposit, carried at cost plus interest earned, which approximates fair value. Fixed maturities placed in escrow to meet statutory funding requirements, although considered available for sale, are not reasonably expected to be used in the normal operating cycle of the Company and are classified as noncurrent. All other available-for-sale securities are classified as current.

Premiums and discounts are amortized or accreted, respectively, over the life of the related debt security as an adjustment to yield using the yield-to-maturity method. Interest income is recognized when earned. Realized gains and losses on investments are included in investment income and are derived using the specific identification method for determining the cost of securities sold; Unrealized gains and losses on fixed maturities are recorded as a separate component of stockholders' equity, net of deferred federal income taxes.

2. **Accounting Changes and Corrections of Errors**

A. Material Changes in Accounting Principles and/or Correction of Errors
None.

B. Cumulative Effect of Changes in Accounting Principles as a Result of the Initial Implementation of Codification

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Tennessee. Effective January 1, 2001, the State of Tennessee required that insurance companies domiciled in the State of Tennessee prepare their statutory basis financial statements in accordance with the NAIC Accounting Practices and Procedures Manual subject to any deviations prescribed or permitted by the State of Tennessee insurance commissioner.

NOTES TO FINANCIAL STATEMENTS

Accounting changes adopted to conform to the provision of the NAIC Accounting Practices and Procedures manual are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods..

3. Business Combinations and Goodwill
None.

4. Discontinued Operations
None.

5. Investments
A. Mortgage Loans – None.
B. Debt Restructuring – None.
C. Reverse Mortgages – None.
D. Loan-Backed Securities – None.
E. Repurchase Agreements – None.

6. Joint Ventures, Partnerships and Limited Liability Companies
None.

7. Investment Income
Due and accrued income was excluded from surplus on the following basis:

All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgage loans in default.

The total amount excluded was \$ 0.

8. Derivative Instruments
None.

9. Income Taxes

NOTES TO FINANCIAL STATEMENTS

A. The components of the net deferred tax asset (liability) at December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Total of all deferred tax assets (admitted and nonadmitted)	\$ 0	\$ 0
Total of all deferred tax liabilities	\$ 0	\$ 0
Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	\$ 0	\$ 0
Increase (decrease) in deferred tax assets Nonadmitted	\$ 0	\$ 0

B. The components of income tax expense (benefit) for the years ended December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Current	\$ 369,275	\$ 492,992
Deferred	\$ 0	\$ 0
Total	\$ 369,275	\$ 492,992

C. Deferred income taxes arise primarily from net operating loss carry-forwards and unrealized investment holding gains. As of December 31, 2006, the company has utilized all of its net operating loss carry forwards for tax purposes.

10. Information Concerning Parent, Subsidiaries and Affiliates

At December 31, 2006, the Company reported \$0 as accounts receivable due from the Parent Company, United American of Tennessee, Inc.

The Parent Company, United American of Tennessee, Inc. has contracted with the Company to provide management services for their Medicaid HMO.

The Parent Company, United American of Tennessee, Inc. owns 100% of the Company's common stock and all of the Company's outstanding preferred stock.

11. Debt
None.

12. Retirement Plans, Deferred Compensation, Post employment Benefits and Compensated Absences and Other Postretirement Benefit Plans
None.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations
The Company has 89,100,000 shares of common stock authorized with 8,000,000

NOTES TO FINANCIAL STATEMENTS

shares issued and outstanding. The stock has a par value of \$0.025. The Company has 12,550,000 shares of Series A preferred stock authorized, issued and outstanding. The stock has a par value of \$1.00 and is nonvoting, nonconvertible and non-dividend bearing. The stock has a liquidation preference of \$1.00 per share and is subject to redemption at any time by the Company at 110% of par value.

14. Contingencies
None.

15. Leases

The Company leases its facilities under an operating lease that expires in December 2010. The lease commenced in April 2005. Terms of the facility lease generally provide that the Company pay its pro rata share of all operating expenses including insurance, property taxes and maintenance. Rent Expense for the year ended December 31, 2006 and 2005 totaled \$475,777.34 and \$106,828 respectively. Based on the current lease agreement, the company estimates rent expense of approximately \$1,540,458 in aggregated or \$374,706, \$381,645, \$388,584, \$395,523, \$395,523 for years 2007 through 2011.

16. Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk
None.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
None.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans
None.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators
None.

20. September 11 Events
None.

21. Other Items

A. The Company and the Department of Finance and Administration of the State of Tennessee, Bureau of TennCare is party to an escrow agreement under which the Company has funded, on August 5, 2005, an escrow accounts held by TennCare At the State Treasury in the amount of \$2,300,000, is security for repayment to TennCare of any overpayments to UAHC-TN that may be

NOTES TO FINANCIAL STATEMENTS

determined by a pending audit of all UAHC-TN process claims since 2002. The escrow bears interest at a rate no lower than the prevailing commercial interest rates for savings accounts at financial institutions in Nashville, Tennessee. The escrow account will terminate August 5, 2007 or sooner in certain events, except if litigation is pursued by either party, in which event the escrow account will continue until the end of litigation. All amounts (including interest earnings) credited to the escrow account will belong to the company, except to the extent, if any, they are paid to TennCare to satisfy amounts determined to be owed to TennCare as provided in the escrow agreement. The escrow agreement recites that TennCare does not at this time assert there has been any breach of UAHC-TN'S TennCare contract and that the Company has funded the escrow accounts as a show of goodwill and good faith in working with TennCare. The Company has recorded and recognized a liability of approximately \$320,000 related to the claims audit that hasn't been recouped from providers. The Company has deemed these dollars collectible and has also recorded a receivable for the same amount.

B. UAHC-TN has received notice from TennCare that it earned additional revenue of approximately \$0.2 million and \$0.2 million, respectively, for its performance under the modified risk arrangement for the third and fourth quarters of calendar year 2005. Such additional revenue has been recorded. UAHC-TN expects to similarly earn additional revenue of at least \$0.2 million for each quarter of calendar year 2006. The Company has not recorded such earnings as of December 31, 2006, and would record such earnings in calendar year 2007 only upon receipt of final notification thereof from TennCare.

C. On October 10, 2006, UAHC-TN entered into a contract with the Centers for Medicare & Medicaid Services (CMS) to act as a Medicare Advantage qualified organization. The contract authorizes UAHC-TN to serve members enrolled in both the Tennessee Medicaid and Medicare programs, commonly referred to as "dual-eligibles," specifically to offer a Special Needs Plan ("SNP") to its eligible members in Shelby County, Tennessee (including the City of Memphis), and to operate a Voluntary Medicare Prescription Drug Plan, both beginning January 1, 2007. The initial contract term is through December 31, 2007, after which the contract may be renewed for successive one-year periods in accordance with its terms. As of December 31, 2007, there were approximately 110 SNP enrollees in UAHC-TN.

22. **Events Subsequent**
None

23. **Reinsurance**
A. Ceded Reinsurance Report
Section I – General Interrogatories

NOTES TO FINANCIAL STATEMENTS

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly by the company or by any representative, officer, trustee, or director of the company? NO

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business? NO

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit? NO

(2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? NO

Section 3 – Ceded Reinsurance Report – Part B

(1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of payment or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement? NO

B. Uncollectible Reinsurance
None.

C. Commutation of Ceded Reinsurance
None

24. **Retrospectively Rated Contracts & Contracts Subject to Redetermination**
None.

25. **Change in Incurred Claims and Claim Adjustment Expenses**
There has been no change in the provision for incurred claim and claim adjustment expenses attributable to insured events of prior years.

NOTES TO FINANCIAL STATEMENTS

26. **Intercompany Pooling Arrangements**
None.

27. **Structured Settlements**
None.

28. **Health Care Receivables**
A. Pharmaceutical Rebate Receivables

Quarter	Rebates Per FS	Actual Rebates	Rec'd in 90 Days	Rec'd 91 to 180	Rec'd More than 180
12/31/06	\$0	\$0	\$0	\$0	\$0
09/30/06	\$0				
06/30/06	\$0				
03/31/06	\$0	\$0			
Quarter	Rebates Per FS	Actual Rebates	Rec'd in 90 Days	Rec'd 91 to 180	Rec'd More than 180
12/31/05	\$	\$	\$	\$	\$
09/30/05	\$				
06/30/05	\$				
03/31/05	\$2,611.66	\$2,611.66			
12/31/04	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
09/30/04	\$27,476				
06/30/04	\$19,467				
03/31/04	\$165,926				

B. Risk Sharing Receivables
None.

29. **Participating Policies**
None.

30. **Premium Deficiency Reserves**
None.

31. **Anticipated Salvage and Subrogation**
None.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	45,000	0.366	45,000	0.366
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA				
1.512 Issued or guaranteed by FNMA and FHLMC	7,400,153	60.196	7,400,153	60.196
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	1,822,987	14.829	1,822,987	14.829
9. Other invested assets	3,025,336	24.609	3,025,336	24.609
10. Total invested assets	12,293,476	100.000	12,293,476	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐

- 1.3 State Regulating?

TENNESSEE

- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

- 2.2 If yes, date of change:

04/30/2005

- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2004

- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

05/31/2006

- 3.4 By what department or departments?

- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒

- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes ☐ No ☒

4.22 renewals?

Yes ☐ No ☒

- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) ~~that~~ ^{that} been denied or revoked by any governmental entity during the reporting period?

- 6.2 If yes, give full information

- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒

- 7.2 If yes,

7.21 State the percentage of foreign control

0%

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1	2
Nationality	Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes ☐ No ☒

- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes ☐ No ☒

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency (i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)) and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

UHY LLP Certified Public Accountants
26200 American Drive, Suite 400, Southfield MI, 48034-6173

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? REDEN & ANDERS, LTD 222 South Ninth Street, Suite 1500, Minneapolis, MN 55402

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes ☐ No ☒

11.11 Name of real estate holding company

11.12 Number of parcels involved

11.13 Total book/adjusted carrying value

0
\$ 0

11.2 If yes, provide explanation

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes ☐ No ☒

12.3 Have there been any changes made to any of the trust indentures during the year?

Yes ☐ No ☒

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes ☐ No ☒ N/A ☐

BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes ☒ No ☐

14. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes ☒ No ☐

15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes ☒ No ☐

FINANCIAL

16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11 To directors or other officers

16.12 To stockholders not officers

16.13 Trustees, supreme or grand (Fraternal only)

\$N/A
\$N/A
\$N/A

16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21 To directors or other officers

16.22 To stockholders not officers

16.23 Trustees, supreme or grand (Fraternal only)

\$N/A
\$N/A
\$N/A

17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes ☐ No ☒

17.2 If yes, state the amount thereof at December 31 of the current year:

17.21 Rented from others

17.22 Borrowed from others

17.23 Leased from others

17.24 Other

\$N/A
\$N/A
\$N/A
\$N/A

18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes ☐ No ☒

18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment

18.22 Amount paid as expenses

18.23 Other amounts paid

\$N/A
\$N/A
\$N/A

19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes ☐ No ☒

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$N/A

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes [X] No []

20.2 If no, give full and complete information, relating thereto:

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1).

Yes [X] No []

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21	Loaned to others	\$N/A
21.22	Subject to repurchase agreements	\$N/A
21.23	Subject to reverse repurchase agreements	\$N/A
21.24	Subject to dollar repurchase agreements	\$N/A
21.25	Subject to reverse dollar repurchase agreements	\$N/A
21.26	Pledged as collateral	\$N/A
21.27	Placed under option agreements	\$N/A
21.28	Letter stock or securities restricted as to sale	\$N/A
21.29	Other	\$ 2,300,000

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [] No [X] N/A []

If no, attach a description with this statement.

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [] No [X]

23.2 If yes, state the amount thereof at December 31 of the current year.

\$ 0

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes [] No [X]

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?

Yes [] No [X]

24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?
- 25.2 If yes, complete the following schedule:

Yes ☐ No ☒

1	2	3
CUSIP#	Name of Mutual Fund	Book/Adjusted Carrying Value
25.2999	Total	

- 25.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds			
26.2 Preferred stocks			
26.3 Totals			

- 26.4 Describe the sources or methods utilized in determining the fair values:

- 27.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed?

Yes ☒ No ☐

- 27.2 If no, list exceptions:

OTHER

- 28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?

\$ 0

- 28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1	2
Name	Amount Paid
VESTICA	\$ 14,181,486
	\$
	\$

- 29.1 Amount of payments for legal expenses, if any?

\$ 0

- 29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
	\$
	\$
	\$

- 30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

\$ 0

- 30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid
	\$
	\$
	\$
	\$

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? YES ☐ NO ☒

1.2 If yes, indicate premium earned on U.S. business only. \$ _____

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ _____

1.31 Reason for excluding _____

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above \$ _____

1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$ _____

1.6 Individual policies: Most current three years:

1.61 Total premium earned \$ _____

1.62 Total incurred claims \$ _____

1.63 Number of covered lives _____

All years prior to most current three years:

1.64 Total premium earned \$ _____

1.65 Total incurred claims \$ _____

1.66 Number of covered lives _____

1.7 Group policies: Most current three years:

1.71 Total premium earned \$ _____

1.72 Total incurred claims \$ _____

1.73 Number of covered lives _____

All years prior to most current three years:

1.74 Total premium earned \$ _____

1.75 Total incurred claims \$ _____

1.76 Number of covered lives _____

2. Health Test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator	\$ _____	\$ _____
2.2 Premium Denominator	\$ _____	\$ _____
2.3 Premium Ratio (2.1/2.2)	_____	_____
2.4 Reserve Numerator	\$ _____	\$ _____
2.5 Reserve Denominator	\$ _____	\$ _____
2.6 Reserve Ratio (2.4/2.5)	_____	_____

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? YES ☐ NO ☒

3.2 If yes, give particulars: _____

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? YES ☒ NO ☐

4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? YES ☐ NO ☒

5.1 Does the reporting entity have stop-loss reinsurance? YES ☐ NO ☒

5.2 If no, explain: _____

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical \$ _____

5.32 Medical Only \$ _____

5.33 Medicare Supplement \$ _____

5.34 Dental \$ _____

5.35 Other Limited Benefit Plan \$ _____

5.36 Other \$ _____

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements: _____

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? YES ☒ NO ☐

7.2 If no, give details: _____

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year _____

8.2 Number of providers at end of reporting year _____

9.1 Does the reporting entity have business subject to premium rate guarantees? YES ☐ NO ☒

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months _____

9.22 Business with rate guarantees over 36 months _____

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

YES [] NO [X]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$ -0-

10.22 Amount actually paid for year bonuses

\$

10.23 Maximum amount payable withholds

\$

10.24 Amount actually paid for year withholds

\$

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

YES [] NO [X]

11.13 An Individual Practice Association (IPA), or,

YES [] NO [X]

11.14 A Mixed Model (combination of above)?

YES [X] NO []

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

YES [X] NO []

11.3 If yes, show the name of the state requiring such net worth.

TENNESSEE

11.4 If yes, show the amount required.

\$ 7,229,625

11.5 Is this amount included as part of contingency reserve in stockholder's equity?

YES [] NO [X]

11.6 If the amount is calculated, show the calculation

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area		

FIVE-YEAR HISTORICAL DATA

	1 2006	2 2005	3 2004	4 2003	5 2002
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	13,808,172	12,637,932	12,850,424	11,117,114	10,344,947
2. Total liabilities (Page 3, Line 22)	2,110,606	1,400,013	1,178,466	1,991,825	1,974,125
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 31)	11,699,216	11,237,919	11,671,958	9,108,039	7,084,131
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	360,956	538,850	585,216	1,586,096	110,833,538
6. Total medical and hospital expenses (Line 18)	(103,952)	(367,488)	(79,710)	191,499	93,674,236
7. Claims adjustment expenses (Line 20)	5,951,239	6,444,202	4,398,932		
8. Total administrative expenses (Line 21)	(6,508,466)	(7,541,118)	(6,183,150)	(6,150,859)	12,359,491
9. Net underwriting gain (loss) (Line 24)	1,022,135	2,003,254	2,449,144	1,975,126	(1,021,943)
10. Net investment gain (loss) (Line 27)	638,027	172,925	197,364	157,682	444,291
11. Total other income (Lines 28 plus 29)					
12. Net income or (loss) (Line 32)	1,290,887	1,683,187	2,598,968	2,253,268	(1,887,052)
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	11,697,566	11,237,919	11,671,958	9,180,039	7,084,131
14. Authorized control level risk-based capital	316,774	838,579	838,549	838,584	4,841,400
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	110,534	122,260	130,298	129,146	114,544
16. Total members months (Column 6, Line 7)	1,418,559	1,545,179	1,552,662	1,456,615	1,377,079
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Line 18 plus Line 19)	100.0	215.0	73.8	36.5	92.5
19. Cost containment expenses				X X X	X X X
20. Other claims adjustment expenses					
21. Total underwriting deductions (Line 23)	(661179.0)	(1998933.0)		(74.2)	100.1
22. Total underwriting gain (loss) (Line 24)	1022135.0	2003254.0		376.6	(1.0)
UNPAID CLAIMS ANALYSIS (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Col. 5)		(367,488)		1,268,190	18,077,140
24. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]				1,076,691	18,077,140
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)					
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
29. Affiliated mortgage loans on real estate					
30. All other affiliated					
31. Total of above Lines 25 to 30					



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION

(LOCATION)

BUSINESS IN THE STATE OF TOTAL DURING THE YEAR 2006

NAIC Company Code 00000

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year	122,260								122,260				
2. First Quarter	117,524								117,524				
3. Second Quarter	115,851								115,851				
4. Third Quarter	112,951								112,951				
5. Current Year	110,534								110,534				
6. Current Year Member Months	1,418,559								1,418,559				
Total Member Ambulatory Encounters for Year:													
7. Physician	859,043								859,043				
8. Non-Physician	130,585								130,585				
9. Total	989,628								989,628				
10. Hospital Patient Days Incurred	87,106								87,106				
11. Number of Inpatient Admissions	14,467								14,467				
12. Health Premiums Written													
13. Life Premiums Direct													
14. Property/Casualty Premiums Written													
15. Health Premiums Earned													
16. Property/Casualty Premiums Earned													
17. Amount Paid for Provision of Health Care Services													
18. Amount Incurred for Provision of Health Care Services													

(a) For health business: number of persons insured under PPO managed care products and number of persons insured under indemnity only products

SCHEDULE A - VERIFICATION BETWEEN YEARS

Real Estate

1. Book/adjusted carrying value, December 31, prior year	
2. Increase (decrease) by adjustment:	
2.1 Totals, Part 1, Column 11	
2.2 Totals, Part 3, Column 7	
3. Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9))	
4. Cost of additions and permanent improvements:	
4.1 Totals, Part 1, Column 14	
4.2 Totals, Part 3, Column 9	
5. Total profit (loss) on sales, Part 3, Column 14	
6. Increase (decrease) by foreign exchange adjustment:	
6.1 Totals, Part 1, Column 12	
6.2 Totals, Part 3, Column 8	
7. Amounts received on sales, Part 3, Column 11 and Part 1, Column 13	
8. Book/adjusted carrying value at the end of current period	
9. Total valuation allowance	
10. Subtotal (Lines 8 plus 9)	
11. Total nonadmitted amounts	
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets Column)	

SCHEDULE B - VERIFICATION BETWEEN YEARS

Mortgage Loans

1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year	
2. Amount loaned during year:	
2.1 Actual cost at time of acquisitions	
2.2 Additional investment made after acquisitions	
3. Accrual of discount and mortgage interest points and commitment fees	
4. Increase (decrease) by adjustment	
5. Total profit (loss) on sale	
6. Amounts paid on account or in full during the year	
7. Amortization of premium	
8. Increase (decrease) by foreign exchange adjustment	
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	
10. Total valuation allowance	
11. Subtotal (Lines 9 plus 10)	
12. Total nonadmitted amounts	
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets Column)	

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Long-Term Invested Assets

1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		2,605,000
2. Cost of acquisitions during year:		
2.1 Actual cost at time of acquisitions	411,633	
2.2 Additional investment made after acquisitions		411,633
3. Accrual of discount		
4. Increase (decrease) by adjustment		8,703
5. Total profit (loss) on sale		
6. Amounts paid on account or in full during the year		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange adjustment		
9. Book/adjusted carrying value of long-term invested assets at end of current period		3,025,336
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)		3,025,336
12. Total nonadmitted amounts		
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)		3,025,336

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States	7,445,153	7,445,153	7,515,375	7,580,000
	2. Canada				
	3. Other Countries				
	4. Totals	7,445,153	7,445,153	7,515,375	7,580,000
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals				
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals				
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	7,445,153	7,445,153	7,515,375	7,580,000
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks				
	55. Total Stocks				
	56. Total Bonds and Stocks	7,445,153	7,445,153	7,515,375	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	7,140,257	7. Amortization of premium	
2. Cost of bonds and stocks acquired, Column 7, Part 3	310,000	8. Foreign Exchange Adjustment:	
3. Accrual of discount		8.1 Column 15, Part 1	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1	
4.1 Columns 12 - 14, Part 1	(5,104)	8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2			
4.4 Column 11 - 13, Part 4	(5,104)	9. Book/adjusted carrying value at end of current period	7,445,153
5. Total gain (loss), Column 19, Part 4		10. Total valuation allowance	
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4		11. Subtotal (Lines 9 plus 10)	7,445,153
		12. Total nonadmitted amounts	
		13. Statement value of bonds and stocks, current period	7,445,153

SCHEDULE D - PART 1A - SECTION 1
Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Class 1											
1.2 Class 2											
1.3 Class 3											
1.4 Class 4											
1.5 Class 5											
1.6 Class 6											
1.7 Totals		7,445,153				7,445,153	100.000	7,140,257	100.000		
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Class 1											
2.2 Class 2											
2.3 Class 3											
2.4 Class 4											
2.5 Class 5											
2.6 Class 6											
2.7 Totals		7,445,153				7,445,153	100.000	7,140,257	100.000		
3. States, Territories and Possessions, etc., Guaranteed, Schedules D & DA (Group 3)											
3.1 Class 1											
3.2 Class 2											
3.3 Class 3											
3.4 Class 4											
3.5 Class 5											
3.6 Class 6											
3.7 Totals											
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Class 1											
4.2 Class 2											
4.3 Class 3											
4.4 Class 4											
4.5 Class 5											
4.6 Class 6											
4.7 Totals											
5. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Class 1											
5.2 Class 2											
5.3 Class 3											
5.4 Class 4											
5.5 Class 5											
5.6 Class 6											
5.7 Totals											